



House of Representatives

File No. 622

General Assembly

February Session, 2000

(Reprint of File No. 152)

House Bill No. 5716
As Amended by House
Amendment Schedule "A"

Approved by the Legislative Commissioner
April 14, 2000

An Act Concerning Escrow Arrangements.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (a) For the purposes of this act:

2 (1) "Escrow agreement" means a written or oral agreement under
3 which money, documents, instruments or other property is delivered
4 by a party to the agreement or another person to a third party to be
5 held by such third party for delivery or disbursement to another party
6 to the agreement or another person upon the occurrence of an event or
7 condition specified in the agreement.

8 (2) "Escrow holder" means a third party to whom money,
9 documents, instruments or other property is delivered for subsequent
10 delivery or disbursement in accordance with the escrow agreement.

11 (b) No escrow agreement shall be ineffective, invalid or
12 unenforceable because the escrow holder is the attorney-at-law, law
13 firm or agent for one or more parties to the escrow agreement, whether
14 in connection with the matter to which the escrow agreement is related

15 or otherwise.

16 Sec. 2. This act shall take effect from its passage and shall be
17 applicable to any escrow agreement in existence on or after said date.

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact: Uncertain

Affected Agencies: Various Agencies

Municipal Impact: Uncertain

Explanation

State Impact:

In response to a recent Appellate Court ruling that provides that money is not in escrow if it is given to an attorney or agent of one of the parties to the transaction, the bill specifies that escrow arrangements cannot be invalidated solely because the escrow holder is one party's attorney. To the extent that various state agencies and municipalities currently take on additional expenses related to establishing independent escrow accounts in order to avoid questions of validity, passage of the bill would result in potential savings. It is uncertain as to what degree, if any, these additional expenses have actually been incurred.

House "A" clarifies some of the language of the bill and does not result in any additional impact.

OLR Amended Bill Analysis

HB 5716 (as amended by House "A")*

AN ACT CONCERNING ESCROW ARRANGEMENTS.**SUMMARY:**

This bill specifies that escrow agreements are not unenforceable solely because a party's attorney, law firm, or agent is the escrow holder.

The bill defines an escrow agreement as a written or oral agreement under which money, documents, instruments, or property is delivered, by a party or a person, to a third party to be held for delivery to a party or person when an event or condition specified in the agreement occurs.

The bill defines an escrow holder as a third party that receives and later disburses or delivers money, documents, instruments, or property.

The bill applies to escrow agreement existing on or after its effective date.

*House Amendment "A" redefines escrow agreement and escrow holder and removes the original bill's requirement that an attorney, law firm, or agent act in an independent capacity as escrow holder under the agreement.

EFFECTIVE DATE: Upon passage

BACKGROUND***Appellate Court Decision***

The Appellate Court recently ruled that money is not in escrow if it is given to an attorney or agent of one of the parties under an agreement. In that case, the court ruled that the attorney's duty at all times was to the plaintiff and he was obligated to deliver the funds to the plaintiff on demand (*Galvanek v. Skibitcky*, 55 Conn. App. 254 (1999)).

COMMITTEE ACTION

Judiciary Committee

Joint Favorable Report

Yea 39 Nay 0